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E.O. 12958: N/A

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SUBJECT: JAPANESE MORNING PRESS HIGHLIGHTS 10/06/06

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Prime Minister's schedule, October 5

NIHON KEIZAI (Page 2) (Full)
October 6, 2006

08:02

Met at Kantei with Deputy Chief Cabinet Secretary Shimomura.

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09:00

Attended Lower House Budget Committee meeting.

12:12

Met at Kantei with Shimomura.

13:00

Attended Lower House Budget Committee session.

17:30

Attended Security Council meeting at Kantei. Met with Special Advisor Koike, followed by Foreign Minister Aso.

18:05

Met with Cabinet Intelligence Director Mitani.

19:26

Returned to his private residence in Tomigaya.

4) Japan, China during Abe's visit to China on the 8th likely to agree to hold summit again in November on sidelines of APEC summit in Hanoi

YOMIURI (Page 1) (Excerpts)
October 6, 2006

It is now likely that Prime Minister Abe and Chinese President Hu Jintao during their summit to be held on Oct. 8 will agree to hold a second summit on the sidelines of the Asia-Pacific Economic Cooperation forum summit in Hanoi Nov. 18-19, according to a government source. Japan-China summits have often been held on the sidelines of annual APEC talks. However, one did not take place last year due to former Prime Minister Koizumi's visits to Yasukuni Shrine.

Prime Minister Abe is aiming to repair the strained Japan-China relations with his first meetings with Hu and Wen Jiabao as stepping-stones. Abe during the upcoming talks intends to ask both leaders to visit Japan at an early date. He also wants to put mutual exchanges of the leaders of the two countries back on track by holding a second summit on the sidelines of APEC without a long pause after the first one.

5) As expression of international condemnation against North Korea, Japan aims to issue "press statement" instead of UNSC president's statement, with priority given to speed

SANKEI (Page 3) (Excerpts)
October 6, 2006

Masako Nagato, New York

In response to North Korea's statement indicating a possible nuclear

test, Japan, which presides at the United Nations Security Council (UNSC) during this month, has come up with a draft statement warning Pyongyang of additional action if it actually conducts a nuclear test. Yesterday, Japan decided that it would officially propose issuing a press statement of that sort instead of a presidential one that requires unanimous agreement. Tokyo aims to get this proposed statement adopted before the end of the week, bearing in mind the planned summit meetings with China on Oct. 8 and South Korea on Oct. 19.

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The UNSC yesterday morning (early hours of this morning, Japan time) discussed the draft statement at a working-level meeting.

Chinese Ambassador to the UN Wang Guanya said of Japan's proposed draft statement: "The question is what is written in it. We don't care whether it is issued in the form of a press statement or a presidential one." Japan drafted the statement in close collaboration with the United States, Britain, and France. According to Japanese Ambassador to the UN Kenzo Oshima, "It is important for the UNSC to issue an appropriate statement as quickly as possible," so Japan drafted a statement avoiding using the word "sanctions" and also decided to aim to issue a press statement that would not be recorded, instead of the presidential statement Japan initially wanted to issue.

The draft statement expresses "deep concern" over North Korea's statement and warns that if it ignores international calls and conducts a nuclear test, that would endanger peace and security beyond the region and also "would provoke international condemnation." In addition, the draft statement calls on North Korea to return to the six-party talks unconditionally.

6) UNSC starts talks on Japan's statement urging sanctions against North Korea

NIHON KEIZAI (Page 1) (Full)
October 6, 2006

Tetsuya Suzuki, New York

The UN Security Council started working-level talks on Oct. 5 over a statement Japan drafted to urge North Korea to refrain from a nuclear test. The focus of discussion is on what expression should be used regarding sanctions if Pyongyang forges ahead with a test. China was cautious about intensifying pressure, but it has begun to indicate a flexible posture. The Japanese government aims at an early announcement of the statement, giving priority to an agreement by accepting even the form of a "statement to the press," lower than a president's statement in rank.

China and Russia have close ties with North Korea. Avoiding using strong wording that they would oppose, the draft statement takes on a strong implication of warning. The statement, though, notes that should the North go ahead with a nuclear test, "The UNSC will take action to fulfill its primary responsibility as defined in the UN Charter." It thus refers to additional action that reminds us of sanctions in the future.

Chinese Ambassador to the UN Wang Guanya told reporters the same day, "Of importance is its contents, rather than whether it should be a president's statement or a statement to the press." In coordinating this wording, there is likely to be much wrangling.

7) US military aircraft watching for North Korean nuke test

NIHON KEIZAI (Page 2) (Full)
October 6, 2006

In the wake of North Korea's recent statement on a nuclear test, Japan and the United States yesterday raised the level of warning and surveillance. US Forces Japan (USFJ) has additionally deployed a

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WC-135 atmospheric observation plane to Kadena Base in Okinawa Prefecture, and the WC-135 yesterday went on a surveillance flight mission with an air tanker. The Defense Agency is exploring signs, such as changes in North Korean radio communications, with the Maritime Self-Defense Force's electronic surveillance aircraft and the Defense Intelligence Headquarters' telecommunications facility.

The WC-135 has the capability of collecting and analyzing radiological substances in the atmosphere after a nuclear test. "We have various kinds of information, so we're intensifying our intelligence-gathering activities," Defense Agency Administrative Deputy Director General Takemasa Moriya told a press conference yesterday. He also said the agency could not definitely rule out the possibility of North Korea going ahead with a nuclear test.

8) US reconnaissance aircraft takes off from Okinawa; Will it monitor North Korea?

SANKEI (Page 3) (Full)
October 6, 2006

The US Air Force's WC135-C reconnaissance aircraft capable of collecting and analyzing radioactive materials in the air yesterday morning took off from the US Kadena Air Base in Okinawa Prefecture. The purpose appears to be to step up monitoring of North Korea's movements.

According to observers who monitor the Kadena Base, the spy aircraft departed the base at around 11:00 a.m. yesterday.

The aircraft is attached to an air base on the US mainland, but since May of this year, it has been apparently assigned to Kadena.

Along with the spy aircraft, a refueling plane took off. The spy plane, if refueled, can remain in the air for hours.

The US forces have temporarily deployed the spy aircraft at the Kadena Base in the past, as well, in order to watch North Korean moves for nuclear weapons development.

9) North Korea trying to bring about remittances via dummy companies by getting cooperation from Russian trading firms

TOKYO SHIMBUN (Page 1) (Excerpts)
October 6, 2006

As a means to evade financial sanctions, a North Korean special agency in charge of foreign trade asked Russian and Chinese trading firms to serve as dummy companies so that North Korea can receive remittances, sources revealed yesterday. Last month, Japan and some other countries imposed financial sanctions on North Korea, targeting some trading firms. If Pyongyang conducts a nuclear test, no doubt much tougher sanctions will await it. The North is apparently looking for ways to evade sanctions.

According to informed sources in the Russian Far East, a North Korean spy agency has sought cooperation from Russian, Ukrainian, and Chinese companies on a plan that enables North Korea-affiliated companies earning profits in Japan to use dummy firms to remit money abroad. If those companies accept the North's request, their dummy firms will receive all the profits, and later, they will return 70% of the profits to North Korea-affiliated firms in the form of

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payments to their specified bank accounts abroad.

If financial sanctions are further stepped up, North Korea will suffer from a greater shortage of foreign currency. The spy agency has already sold the North Korean won at considerably lower rates than the official rate in the Russian Far Eastern region and other places and instead has begun buying a large amount of such foreign currencies as the yen and the US dollar.

10) US nuclear sub's discharge cannot be ruled out: MEXT

Slight amounts of radioactive materials were recently detected from seawater in the port of Yokosuka, Kanagawa Prefecture, after the USS Honolulu, a US nuclear-powered submarine, left port there. On this problem, the Ministry of Education, Culture, Sports, Science and Technology (MEXT) concluded yesterday that it could not rule out the possibility of discharge from the Honolulu. MEXT implied that it was not caused by an accident or trouble in the Honolulu and that radioactive substances mixed in drainage was discharged from the Honolulu into the sea.

The Honolulu left port in Yokosuka on Sept. 14, but cobalt 58 and cobalt 60-low-level radiological substances that do not affect human health or the environment-were detected from samples MEXT collected that day from seawater near the Honolulu's stern. MEXT conducted another monitoring test of seawater and also surveyed sea-bottom soil. MEXT yesterday held a meeting of experts and checked into its analytical results.

In the meeting, MEXT explained that cobalt 58 was detected again at a low level from samples collected from seawater near the Honolulu's stern. This substance was not detected from other samples collected from seawater near the Honolulu's stem or from the sea-bottom soil. MEXT also revealed that there are no laboratories using cobalt 58 near the port of Yokosuka.

MEXT therefore pointed to the possibility of discharge from the Honolulu. In the case of radioactive leakage resulting from an accident or trouble, radiological substances other than cobalt are also detected. This time, however, cobalt, the level of which is low, was only discovered in a narrow area in the sea. So MEXT ruled out the possibility of discharges resulting from an accident or trouble.

According to MEXT's account, a slight amount of cobalt 58 and other radiological substances were once detected from a septic tank outside the radiation-controlled area of Chubu Electric Power Co.'s Hamaoka Atomic Power Plant. That was because a plant worker went out of the plant's controlled area with radiological substances on his body and washed his hands.

In the expert meeting, one pointed out that cobalt mixed in drainage might have been discharged in the case of the Honolulu as well. "It's inconceivable that there were problems with safety," MEXT's nuclear safety division explains. MEXT wants to continue its close monitoring survey.

11) Court rejects US claim for bid-rigging damages

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The Tokyo High Court yesterday rejected the US government's claim for damages over local contractors' bid-rigging practices for facilities construction and engineering work ordered by the US Navy's Atsugi base in Kanagawa Prefecture. The US government instituted a lawsuit at the Tokyo District Court against 13 construction companies for damages totaling about 680 million yen, claiming that contract prices were raised in their repeated bid-rigging practices. The district court rejected the claim, and the US government made an appeal to the Tokyo High Court. The high court upheld the district court's ruling and turned down the US appeal.

The high court, with Toshimi Ouchi as its presiding judge, looked into a total of 86 claimed contract cases to see if there were bid-rigging practices, and acknowledged 55 bid-rigging cases among those 86 contracts. "The US side's damage can be estimated at approximately 100 million yen," Ouchi said. "However," the judge added, "the US side has already received about 200 million yen from those companies out of court, so the damage has been compensated."

12) Bid-rigging common in ODA projects: Contracts awarded at cost of 99% of initial estimates in 80% of projects in FY2005

YOMIURI (Top Play) (Excerpts)
October 6, 2006

In more than 80% of the 71 construction projects funded by nonrefundable official development assistance (ODA) grants in FY2005, contracts were awarded at a cost of over 99% of the initial estimates, according to an investigation by the Yomiuri Shimbun. Executives of several general contractors admit that rigging bids is common. In the nation, the government's crackdown efforts have contributed to lowering the successful bidding ratio. But the ratio remained high in the case of ODA projects in FY2004. Although the Finance Ministry ordered construction firms to correct their bid-rigging practices last year, the results of the investigation show that the instruction has been ignored.

The Yomiuri Shimbun looked into ODA grants for both general and marine projects, for which the Foreign Ministry has released cost estimates. In these projects, roads and hospitals are built, equipment is provided, and port facilities are consolidated. Allowed to participate in such projects are only Japanese firms with a proven track record working on overseas construction projects. In the FY2005 budget, 75.4 billion yen and 5.6 billion yen have been earmarked for general and marine projects, respectively. The total figure accounts for nearly half the total ODA grants.

In 68 of the 114 projects in FY2005, the percentage of successful bid prices to initial estimates was more than 99%. Excluding the provision of equipment, successful bids in 57 of the 71 projects worth 52.2 billion yen) were for more than 99% of the initial estimates. The average successful bidding ratio was a hefty 97.8%. Two rounds of bidding were held for 35 of these projects, but since the bidding firms' offers were higher than the initial estimates, the tender was withdrawn. As a result, contracts were awarded to the companies that offered the lowest prices.

13) Azadegan oilfield: Vice METI minister denying cancellation of
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contract, saying, "Talks will continue for a long time"

NIHON KEIZAI (Page 5) (Full)
October 6, 2006

Referring to the difficult talks between Inpex and Iran over development of the Azadegan oilfield in Iran, Vice Economy, Trade and Industry Minister Takao Kitabata yesterday told a news conference, "Since there are many items of negotiations, the talks will continue for a long time." He denied a local media report that the Iranian side on Oct. 4 suspended the talks, noting, "The talks were held on the 5th as well."

Though Iran has hinted at the possibility of canceling the contract, Kitabata countered: "This is an important project not only for Japan but also for Iran. I have no perception of Japan's right to developing the oilfield being cancelled."

14) Chief cabinet secretary indicates that Azadegan oilfield development talks are continuing

NIHON KEIZAI (Page 5) (Full)
October 6, 2006

Commenting on Iran's Azadegan oilfield, Chief Cabinet Secretary Yasuhisa Shiozaki yesterday told a news conference, "I have no received report that the talks have been closed." He thus indicated his perception that the talks are still going on.

15) Japan loses right to Azadegan oilfield project: Delaying measures reach limit; Iran likely to further press Japan

TOKYO SHIMBUN (Page 9) (Full)
October 6, 2006

Torn between diplomatic policy and the need to secure energy resources, the government has adopted delaying tactics in dealing with talks on development of the Azadegan oilfield in Iran. However, this strategy is now beginning to falter following Iran's statement on Oct. 4 that the Japanese company's right to develop the Azadegan oilfield has expired. In the event of expiration, Japan needs to secure new sources for its oil interests in order to increase crude oil developed on its own. However, this is not easy amid the global rise of natural resource nationalism. The government is again pressed to make a hard response to this thorny energy strategy following the situation with the Sakhalin-2 project.

Commenting on the statement issued by the president of Iran's state-run oil company that Japan's right to the Azadegan oilfield development has expired, Vice Economy, Trade and Industry Minister Takao Kitabatake yesterday repeatedly told a news conference "I am not aware that this is the situation." He said, "The talks will continue." However, it is true that the government has been rocked by Iran's repeated provocative words.

In dealing with the Azadegan issue, the government has tried to delay the talks until such international issues as the adoption of a resolution on sanctions against Iran by the United Nations Security Council (UNSC) and getting Iran to abandon its nuclear arms program are settled. The US is taking a hard-line approach to Iran. Its negative stance toward development of the oilfield, which will benefit the nation, has also affected Japan's policy.

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In the meantime, Japan on its part had no intention to propose ending the talks out of concern that if it does so, imports of crude oil from other oilfields in Iran, which account for about 14% of Japan's total crude oil imports, might stop.

One METI official viewed Iran's provocative attitude as a negotiation ploy, explaining, "The government had no other choice but to distance itself from the talks, because once it directly involves itself, it will have to reach a definite conclusion."

Aware of the position in which Japan finds itself, Iran is applying further pressure. Chances are high that Japan's delaying tactics have reached their limit.

16) Inpex calls on Iran to maintain Japan's stake in Azadegan oilfield at 15%

NIHON KEIZAI (Page 5) (Full)
October 6, 2006

A news agency run by Iran's Petroleum Ministry on Oct. 5 reported that Inpex has agreed to lower its stake in the Azadegan oilfield development project from the current 75% and is now calling on Iran to maintain the ratio at least at 15%. The Iranian government appears to want to lower Inpex's stake to below 15%.

17) Minshuto head Ozawa released hospital; Diet debate with Prime Minister Abe on Oct. 18

MAINICHI (Page 5) (Full)
October 6, 2006

Minshuto (Democratic Party of Japan) President Ichiro Ozawa was discharged from a hospital yesterday after 10 days of observation. Ozawa was hospitalized on Sept. 25 after feeling unwell. Party members are now feeling temporarily relieved. He will return to duty on Oct. 10 when the official campaign for Lower House by-elections kicks off. However, since he was admitted to the hospital soon after his re-election to the party's helm, absents himself from interpellations at the Diet, concerns about his health still remain in the largest opposition party. Now that it has been decided that a face-to-face Diet debate with Prime Minister Shinzo Abe will take place on Oct. 18, it remains to be seen how much Ozawa, 12 years older than Abe, can demonstrate his political presence.

Asked about Abe's speech by reporters yesterday, Ozawa criticized

Abe's replies at the Diet, saying: "He has not clearly stated his opinions. I could not see his views, as he only used flowery words." In a party executive meeting yesterday, Ozawa expressed strong eagerness for a confrontation with the Abe government, saying,

"I want to devote myself to winning the elections. In order to get the reins of power, I will concentrate all my energies on the current Diet session and on victory in next year's Upper House election victory."

Minshuto has been preparing for next year's Upper House election under the initiative of Ozawa supported by Acting President Naoto Kan and Secretary General Yukio Hatoyama. Due to Ozawa's sudden hospitalization, the party had to send Hatoyama and Kan to Diet interpellations in place of Ozawa. The party executive initially

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stated that Ozawa would be in the hospital two or three days, but a rumor was that he might be hospitalized for 50 days. A junior member voiced concern, saying, "The myth that Ozawa always wins elections may disappear," though Ozawa plans to start campaigning in the Osaka No. 9 constituency.

In an attempt to win next year's Upper House election, Ozawa himself has visited electoral districts across the nation and met senior members of the People's New Party and other parties. Party members are concerned about his health, with a midlevel lawmaker saying, "I'm concerned about whether he will be able to go across the nation through next summer's Upper House election."

It was decided yesterday that a face-to-face Diet debate between Ozawa and Prime Minister Shinzo Abe would take place on Oct. 18 for the first time. The decision was in a meeting of the secretaries general of the ruling Liberal Democratic Party (LDP) and its coalition partner New Komeito in the form of accepting a request by opposition parties. The debate between Abe and Ozawa will likely affect the Oct. 22 Lower House by-elections for the Kanagawa No. 16 and Osaka No. 9 constituencies.

18) Minshuto to attack Prime Minister Abe, citing "social disparities" at today's Diet battle

YOMIURI (Page 4) (Full)
October 6, 2006

At a House of Representatives Budget Committee session yesterday, Minshuto (Democratic Party of Japan) Acting President Naoto Kan barraged Prime Minister Shinzo Abe, who plans to hold summits with the top leaders of China and South Korea, with tough questions mainly about his views of history and Asia diplomacy. The main opposition party will send to today's Budget Committee session former Foreign Minister Makiko Tanaka, an independent, and former party head Katsuya Okada. Tanaka and Okada will question Abe about such issues as social disparities. They intend to attack Abe, who has vowed to take over the reform drive of former Prime Minister Junichiro Koizumi, regarding the negative legacy of Koizumi's political approach.

Referring to Abe's remarks that he will not reveal to whether he will or has visited Yasukuni Shrine, Kan pointed out: "(Before assuming the prime minister's post) he said that the next prime minister of course should go." He also said to Abe, citing Abe's book in which he writes that it is necessary to make a principle of the separation of politics and economy, "Your view that it is all right that if political relations are cold so long as economic relations are warm is wrong."

In response, Abe rebutted: "I want you to read my book thoroughly. I did not write 'It is good that political relations are cold.'"

The election campaign will kick off on Oct. 10 for Lower House by-elections for the Kanagawa No.16 and Osaka No. 9 districts. An Upper House election will be carried out next summer. Minshuto is attacking Abe's past remarks aimed at tarnishing his image so that the party will be able to strengthen its hand in election battles.

19) Abe: "Those in the leadership, including my grandfather, made a mistake" in deciding to sign war order

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NIHON KEIZAI (Page 1) (Full)
October 6, 2006

In reference to the Tojo cabinet's decision to initiate war against the United States, Prime Minister Shinzo Abe stated in a question-and-answer session yesterday: "There were various circumstances at that time. Even so, politicians should take absolute responsibility, and naturally their decision was a mistake." He responded to a question by Minshuto (Democratic Party of Japan) Acting President Naoto Kan asking about the propriety of the signing by his grandfather, Commerce and Industry Minister Nobusuke Kishi (who assumed the premiership afterward), of the imperial order to open war as a member of the Tojo cabinet.

The prime minister replied:

"Japan was defeated in the war, and many people lost their lives. As a result, serious scars have been left among many Asian people. . . . Those in the leadership, including my grandfather, bear heavy responsibility."

Asked about the statement on historical views issued in 1995 by Prime Minister Tomiichi Murayama, Abe categorically said: "Our cabinet honors the statement. It is also natural for me as prime minister to honor it." Regarding the statement on the problem of comfort women issued by Chief Cabinet Secretary Yohei Kono in 1993, the prime minister said: "The government, including me, accepts it."

Many have criticized the prime minister's historical views as inconsistent. In response, the prime minister told reporters last night: "Politicians have to take responsibility through elections. There are many people who agree with my views."

20) Yasukuni Shrine to alter Yushukan descriptions in deference to criticism from US; No changes to Asia-related exhibits

MAINICHI (Page 1) (Abridged slightly)
October 6, 2006

Yasukuni Shrine's top decision-making body decided yesterday to review US-connected WWII descriptions on display at its Yushukan war history museum in reaction to criticism from the United States. The shrine plans to produce corrected texts later this month to make changes to the displays before the end of this year. The shrine, however, does not intend to review exhibits that have drawn fire from Asian countries, such as China and South Korea, as lacking in awareness about the war of aggression and trying to justify it from the perspective of Asian independence.

Corrections will be made to the following description on the global situation during WWII: (US President) Roosevelt's Grand Strategy -- The only path available to Roosevelt was to force resource-poor Japan into waging war. With (Japan's) participation in the war, the US economy completely recovered." The description drew a strong reaction from the United States. US Ambassador to Japan Thomas Schieffer and former Deputy Sectary of State Richard Armitage openly criticized it.

Aug. 24, the Sankei Shimbun carried an op-ed by former Ambassador to Thailand Hisahiko Okazaki, a strong supporter of prime ministerial visits to Yasukuni Shrine, urging Yushukan to remove "immature

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anti-US historic views." Yasukuni Shrine chief priest Toshiaki Nambu and others called on Okazaki the same day to ask his opinion.

The shrine held consultations with military history experts and others. As a result, the shrine decided to change the title to

"Roosevelt and America's participation in WWII," and to remove such descriptions as "forcing (Japan) into waging a war" and "the recovery of the US economy" and add Roosevelt's speech criticizing Japan as aggressive. The set of changes was reported to the top decision-making body yesterday, and the body endorsed it.

A member of the body asked the shrine if it would consider reviewing China-related descriptions, as well. In response, the shrine said, "There have been no specific criticisms." But in reality, Chinese press officer Liu Chienchao last November criticized the museum as a central facility of Yasukuni's historical views glorifying Japan's militarism.

The shrine explained: "With the museum marking its fifth anniversary next July, we will consider reexamining them from the viewpoint of shedding light on Shinto deities." A person concerned said, "Admitting acts of aggression is inappropriate in shedding light on Shinto deities."

DONOVAN